

# Public Document Pack

## **Supplementary Information for Scrutiny Board (Strategy and Resources) Consultative Meeting on Monday 19<sup>th</sup> July 2021.**

Agenda Item 3 (*Financial Update, Financial Challenge and Service Reviews*) – Appendix 3 – Report of the Chief Officer Financial Services on Financial Health Monitoring 2021/22 (Month 2) to the Executive Board (dated 21<sup>st</sup> July 2021).

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## Financial Health Monitoring 2021/22 – Month 2

Date: 21<sup>st</sup> July 2021

Report of: Chief Officer Financial Services

Report to: Executive Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### What is this report about?

#### Including how it contributes to the city's and council's ambitions

- The purpose of this report is to inform the Executive Board of the financial health of the Authority in respect of both the General Fund revenue budget and the Housing Revenue Account. At Month 2 a COVID-19 related overspend of £18.4m is projected for the Authority.
- The Council has received £24.6m of Government funding towards the costs of COVID-19 in the first quarter of 2021/22, of which the position assumes £15.4m will be applied. An estimated £3m Government contribution to lost income is also reflected, pending confirmation of the final amount. Application of this funding addresses the projected COVID financial pressure in full. Any Collection Fund income shortfall in 2021/22 will impact on revenue in 2022/23. Consequently, a small net overspend of £0.2m is forecast in 2021/22, which relates to non-COVID directorate pressures and savings.
- The 2021/22 budget targeted resources towards the Council's policies and priorities as set out in the Best Council Plan. This report comments on financial performance against this budget, supporting the Best Council ambition to be an efficient and enterprising organisation.
- In addition, this report seeks the Board's approval to release £0.52m from the Council's COVID reserve to support the provision of free school meals during the 2021/22 school summer holidays. This proposal addresses both the Health and Wellbeing and Child-Friendly City priorities, ensuring that 35,000 children and young people eligible for Free School Meals, living in low income families and in households with No Recourse to Public Funds can receive food support for the full 6 weeks of the holiday period.
- The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The position remains challenging and the budget for 2021/22 requires delivery of £56.1m of savings in addition to the considerable savings achieved since 2010. At Month 2 it is anticipated that the required level of savings will be delivered in full.
- At Month 2, the Housing Revenue Account is forecasting a balanced position.

### Recommendations

Executive Board are asked to:

- a) Note the projected financial position of the Authority at Month 2 and the projected impact of COVID-19 on that position.

- b) Note that for 2021/22 the Authority is forecasting an overspend of £0.2m.
- c) Note that the position reported does not reflect the potential effects of any further local or national lockdown arrangements on these financial projections or any potential additional costs arising from the current 2021/22 pay negotiations.
- d) Agree the release of £0.52m from the COVID Reserve to support the delivery of free school meals during the 2021 school summer holidays and to note that the officer responsible for the implementation of this recommendation is the Chief Officer - Financial Services.

**Why is the proposal being put forward?**

- 1 This is largely a factual report to update the Board on financial performance against the Council’s 2021/22 General Fund revenue budget and Housing Revenue Account for the first 2 months of the financial year.
- 2 The report includes a proposal to release £0.52m from the COVID reserve to support the delivery of free school meals over the 2021 summer holidays. Whilst £2.67m of additional Government COVID Local Support Grant has been allocated to the authority, the grant amount is insufficient to provide this food support for the full six week holiday period. The decision to accept the grant funding and utilise it to provide free school meals has been subject to a separate Delegated Decision approved by the Director of Children & Families.

**What impact will this proposal have?**

**Wards affected:**

Have ward members been consulted?       Yes       No

- 3 The proposal to release funds from the COVID reserve will ensure sufficient funding is available to provide food support for the full six week holiday period.
- 4 As explained at Paragraph 7, additional Government funding was not announced until late June 2021 and there is a requirement to bring the decision to this meeting of the Executive Board to enable implementation in time for the school summer holidays. As such members in all affected wards have not been consulted.

**What consultation and engagement has taken place?**

- 5 The Executive Member for Communities, Executive Member for Adult & Childrens Social Care and Health Partnerships, and Executive Member for Economy, Culture and Education have been consulted regarding the related decision to accept the additional funding from Government and to use this for food support.

**What are the resource implications?**

- 6 This is a revenue financial report and as such all resource implications are detailed in the report and appendices.

**What are the legal implications?**

- 7 Executive Board are asked to note that although the matter has been published on the List of Forthcoming Key Decisions, it has been impracticable to include the decision to utilise funding from the COVID reserve to support the delivery of free school meals during the 2021 school summer holidays on the List for a period of 28 clear calendar days prior to taking the decision, as the extension to the Government’s COVID Local Support Grant funding was not announced

until 22nd June 2021 and a decision on the matter is required in order to implement the support to communities in July 2021. There are no other legal implications arising from this report.

### **What are the key risks and how are they being managed?**

- 8 The reported budget position is considered in the context of risk to both the in year financial position and the potential impact on the Council's Medium Term Financial Strategy. These risks are included on the Council's corporate risk register.
- 9 Budget management and monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget judged to be at risk such as the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. To reinforce this approach, specific project management based support and reporting around the achievement of key budget actions plans is in place for 2021/22.
- 10 More specifically, the reported position does not reflect the potential effects of any further local or national lockdown arrangements not yet introduced which could impact on these financial projections. Government support for additional general expenditure and eligible income losses related to COVID is currently unavailable beyond 30<sup>th</sup> June 2021. A range of schemes supporting businesses are also reducing as the country moves out of lockdown, including support with business rates and it is not yet clear how this reduced level of support will impact on the Council's financial position.
- 11 Pay negotiations for 2021/22 are ongoing. The Council has budgeted for a £1.6m increase in pay costs to provide a minimum pay increase of £250 in 2021/22 for all staff earning less than £24,000 only, as announced at the 2020 Spending Review. As the outcome of negotiations is not yet known no additional costs are reflected in the reported position. A 1% pay increase would equate to approximately £4.3m, less the £1.6m already budgeted.

### **Does this proposal support the council's three Key Pillars?**

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 12 The Best Council Plan is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The Three Pillars of inclusive growth, health and wellbeing and the climate change emergency underpin this vision and these can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium-Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget.
- 13 This is a largely a factual report which needs to be seen in context of the requirement for the Council to be financially sustainable and deliver a balanced budget position in 2021/22 so that resources can continue to be targeted at the Council's priorities.
- 14 The proposal to release funding from the COVID reserve to support the delivery of free school meals to all eligible pupils supports the Authority's Health and Wellbeing priority.

### **Options, timescales and measuring success**

#### **What other options were considered?**

- 15 None.

### **How will success be measured?**

16 Not applicable.

### **What is the timetable for implementation?**

17 The release of reserves will be implemented in July 2021.

### **Appendices**

18 The following appendices are attached to this report:

- **Appendix 1** – background information, detailed narrative regarding the projected financial positions for directorates, Dedicated Schools Grant (DSG) and the Housing Revenue Account HRA, update on Council Tax and Business Rates including collection performance.
- **Appendix 2** – Individual financial dashboards for directorates, DSG and the HRA.

### **Background papers**

19 None.

## Financial Health Monitoring 2021/22 – Month 2

### 1. Purpose of this report

- 1.1. This report sets out for the Executive Board the Council's projected financial health position for 2021/22 at Month 2.
- 1.2. Budget monitoring is a continuous process throughout the year, and this report reviews the position of the budget and highlights potential key risks and variations after the second month of the year.

### 2. Background information

- 2.1 Executive Board will recall that the net budget for the general fund for 2021/22 was set at £435.3m.
- 2.2 Following the closure of the 2020/21 accounts, the Council's general fund reserve stands at £27.8m. The 2021/22 budget assumes a contribution of £4m to this reserve during the current financial year.
- 2.3 The Medium Term Financial Strategy assumes a balanced budget position for 2021/22 after the application of Government funding, the delivery of non-COVID savings and the utilisation of earmarked reserves. Any adverse variation to a balanced budget position will require the identification of further savings in 2022/23.
- 2.4 Financial monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. This is reinforced through specific project management based support and reporting around the achievement of the key budget actions plans.

### 3. Main Issues

- 3.1 At Month 2 a COVID related overspend of £18.4m is projected across directorates. Directorate positions are summarised in Table 1.
- 3.2 The Council has received £24.6m of Government funding towards the costs of COVID-19 additional expenditure for the first quarter of the 2021/22. In addition, local authorities are able to claim compensation for COVID-related income losses in respect of sales, fees and charges for the first quarter of the year. Application of £15.4m of Government funding from budgeted COVID contingency and COVID reserve and an estimated claim of £3m in respect of eligible income losses would address this projected COVID financial pressure in full.
- 3.3 Any Collection Fund income shortfall arising in 2021/22 will impact on the Revenue Budget in 2022/23.
- 3.4 Consequently, this report reflects a small net overspend of £0.2m against the 2021/22 Budget, relating to non-COVID directorate pressures and savings.

**Table 1: Summary Position at Month 2 - Financial Year 2021/22**

Directorate	Director	(Under) / Over spend for the current period				COVID related	Non-COVID related	Previous month's Position
		Staffing	Total Expenditure	Income	Total (under) /overspend			
		£000	£000	£000	£000	£000	£000	£000
Adults & Health	Cath Roff	0	10,878	(10,878)	0	454	(454)	
Children and Families	Sal Tariq	0	3,145	11	3,156	3,106	50	
City Development	Martin Farrington	(2,527)	(2,762)	8,628	5,866	6,200	(334)	
Communities, Housing & Environmer	James Rogers	13	1,333	6,477	7,810	7,810	0	
Resources	Neil Evans	(250)	(300)	1,169	869	869	0	
Strategic (see MEMO below)	Victoria Bradshaw	0	(13,055)	(4,464)	(17,519)	(18,439)	920	
<b>Total Current Month</b>		<b>(2,764)</b>	<b>(761)</b>	<b>943</b>	<b>182</b>	<b>0</b>	<b>182</b>	<b>0</b>

<b>MEMO: Covid Related Pressures</b>	18,439
<i>funded by:</i>	
COVID Contingency (use of Government Funding)	(7,551)
COVID Reserve (use of Government Funding)	(7,815)
Estimated Sales, Fees and Charges Compensation	(3,073)
<b>Remaining COVID Related Pressure</b>	<b>0</b>

3.5 The major variations are outlined below, with additional detail provided on the Directorate dashboards at Appendix 2 of this report;

3.5.1 **Adults & Health** – the directorate is projected to deliver a balanced budget, with the Net Managed Budget for 2021-22 being £195.2m.

The 2021-22 budget includes £15.52m for efficiency and service changes. The service is currently on target to deliver these actions. Where slippage /non-delivery identified, alternative options to balance the budget have been identified. Also incorporated into the budget is demand and demography growth of £8.41m. There is a risk that this might not be sufficient.

Additional COVID-19 funding of £10.9m has been received and assuming that there is associated expenditure against this funding:- £2.7m for Clinical Extremely Vulnerable funding support, £1.4m Hospital Discharge fund, £2.4m Infection Control fund, £1.7m Rapid Testing and £2.7m Controlled Outbreak Management fund.

3.5.2 **Children and Families** – As detailed on the dashboard, the current year-end forecast for the Children and Families directorate is an overspend of £3.156m. The overspend is due to pressures as a result of COVID.

The Month 2 projected overspend of £3.156m is broken down as follows:



**Expenditure****£m**

- CLA Placements 2.02
- Non CLA Placements 1.136

**Total projected overspend****3.156**

As shown in the above, the key pressure within expenditure relates to the budget for Children Looked After (CLA) and non-CLA placements, which is currently forecast to overspend by £3.156m. Since the start of the year the number CLA external residential placements has exceeded the total amount of places budgeted for contributing to a projected overspend of £2.02m. As at the end of May there were 75 placements which is 15 places over and above the budgeted place numbers of 57, this is due to the ongoing impact of COVID.

In addition, within the non-CLA placements there is also a pressure on semi-independent living costs for over 18 year olds due to an increased number of placements compared to the budget, this has resulted in a projected overspend of £1.136m This reflects the difficulty with young people being able to move out of these placements in the current climate, as well as the impact of COVID on providers.

Dedicated Schools Grant

In relation to the Dedicated Schools Grant (DSG), the approved DSG budget 2021/22 assumed that there would be a carry forward deficit of £3,683m as at the end of the year. At Month 2 we are projecting a £2m overspend on general DSG for 2021/22, which would result in a closing deficit of £5,683k.

This is due to a projected overspend of £2m on the Early Years block, this position is reflects the proposal to utilise the 2020/21 underspend on the Early Years block During 2020/21 there was an underspend on the Early Years block of £2,228k due to the funding being based on the January census which has higher numbers of 2-4 years olds than the average of all censuses over the year. A proposal has been made by the authority to use up to £2m of the 2020/21 underspend to make exceptional, one off payments to settings in recognition of the funding difficulties faced by the early years sector due to Covid which will help ensure the sufficiency of childcare in the city moving forward.

- 3.5.3 **City Development** – At Month 2, the directorate is projecting an overspend of £5.9m. This is primarily due to the continuing impact of COVID on income streams, currently estimated at £6.2m for the full year.

At this stage it is difficult to quantify with accuracy the impact that the COVID pandemic and subsequent restrictions will have on income streams for the full financial year and therefore this position is subject to significant variation and will continue to be monitored over the coming months.

It is estimated that that income losses for the first quarter of the year will be £1.9m and an element of this will be recoverable through the Government's income compensation scheme for sales, fees and charges.

The key variations in respect to Covid are:

- Active Leeds – the estimated impact of capacity restrictions on income within the service is £4.65m, primarily in respect of swimming and membership income, although this is based on current assumptions and there is likely to be a degree of volatility in the projections. It is estimated that the first quarter losses will be £1.4m of which an element will be recoverable through the Government's income compensation scheme.
- Arts and Heritage - an overspend of £0.7m is anticipated due to the impact of Covid on cafes/shops, city centre sites room hire, and admissions. It is estimated that the first quarter losses will be £0.2m of which an element will be recoverable through the income compensation scheme.
- Markets and City Centre - the estimated ongoing impact of Covid on income is a projected shortfall of £0.4m on Markets income and £0.4m on Advertising income. It is estimated that the first quarter losses will be £0.3m of which an element will be recoverable through the income compensation scheme.

The overall projected position of £5.9m also includes net staffing savings of £0.3m across the directorate, after taking account of income generating posts where applicable.

- 3.5.4 **Communities & Environment** – At Month 2, the Directorate is currently projecting an overspend of £7.810k, all COVID related. There remains a great deal of uncertainty surrounding these projections and these areas in particular will continue to be kept under close review. The shortfalls related to income will be partially offset by the Government's Sales, Fees and Charges compensation scheme which is in place until the end of quarter 1 of this financial year.

The main areas of variation in respect of COVID-19 are currently estimated as follows:

- **Car Parking Services** **£3,500k**  
Loss of car parking and enforcement income, based on lost income of £500k per month in April and May with a gradual improvement to the position as the economy opens up post summer.
- **Loss of Parks & Countryside income** **£1,450k**  
This includes net income losses from visitor attractions, cafes, bereavement services, chargeable works within Parks Operations and Landscaping teams and the cancellation of planned events.
- **Waste Management** **£2,574k.**  
This includes the cost of providing additional crews and vehicles to deal with increased volumes of household waste, the cost of disposing of this additional waste and the cost of providing additional staffing cover at

Household Waste sites.

- **Communities and Customer Access** **£236k**  
This relates to net income shortfalls, mainly Community Centres and primarily in the first half of the year.
- **Other minor variations** **£50k**

Outside of the COVID related pressures, the Directorate remain on target to deliver the savings approved at budget Council in February 2021.

3.5.5 **Resources** - Based on an examination of key risk budgets, an overspend of £869k is forecast for the Resources Directorate.

This is summarised into the following areas across the Directorate's services:-

- **Trading shortfall within Leeds Building Services (LBS)** **£126k**  
This is the result of non-productive time in the first months of the year due to operatives isolating or unable to work due to Covid.
- **Catering income & emergency meals** **£243k**  
A reduction in meals purchased due to Covid has led to a loss of income of approximately £570k in Schools income and £100k in Commercial Income. This has been partially offset by staff savings of £250k and food savings of £176k. The remaining budget pressure may be partially mitigated corporately by the quarter one Sales Fees and Charges grant.
- **Court Fee income reductions (court fees)** **£500k**  
Although Court fee income has now begun to come through, the pressure from the first two months of the year indicates a £0.5m pressure. The budget pressure may be partially mitigated corporately by the quarter one Sales Fees and Charges grant.

3.5.6 **Strategic & Central Accounts** - At Month 2, the Strategic & Central accounts projection is for an overspend of £0.9m, before taking into account the application of funding to address the £18.4m COVID pressures projected in directorate positions.

This projection recognises a £1m pressure in relation to the council's levy payment to the West Yorkshire Combined Authority, which was higher than anticipated when the budget was set.

3.5.7 Directorate dashboards highlight a projected COVID-19 overspend of £18.4m. The Council has received £24.6m of Government funding towards the costs of COVID-19 additional expenditure for the first quarter of the 2021/22. £7.6m of this funding had been included in the Strategic Budget as a COVID contingency, with the remaining grant placed in a COVID reserve. In addition, local authorities are able to claim compensation for COVID-related income losses in respect of sales, fees and charges for the first quarter of the year. The application of the £7.6m budgeted COVID contingency, £7.8m of grant funding from the COVID reserve and the estimated compensation for eligible income losses of £3m are also reflected in the

Month 2 Strategic position and in the appended dashboard. The application of these funds is sufficient to address the COVID pressures projected at Month 2.

- 3.5.8 Consequently, a small net overspend of £0.2m is projected against the Council's 2021/22 revenue budget.
- 3.5.9 The reported position does not reflect the potential effects of any further local or national lockdown arrangements not yet introduced which could impact on these financial projections. Government support for additional general expenditure and eligible income losses related to COVID is currently unavailable beyond 30th June 2021. A range of schemes supporting businesses are also reducing as the country moves out of lockdown, including support with business rates and it is not yet clear how this reduced level of support will impact on the Council's financial position.
- 3.5.10 Pay negotiations for 2021/22 are ongoing, with Trade Unions having rejected a 1.5% pay offer. The Council has budgeted for a £1.6m increase in pay costs to provide a minimum pay increase of £250 in 2021/22 for all staff earning less than £24,000, as announced at the 2020 Spending Review. Should any across the board pay award be agreed, this will exceed the current provision in the budget. As the outcome of negotiations is not yet known no additional costs are reflected in the reported position. A 1% pay increase would equate to approximately £4.3m, less the £1.6m already budgeted.
- 3.5.11 The budget for 2021/22 requires the delivery of £56.1m of savings. Detailed budget action plans have been developed to identify how these savings will be achieved and progress against these action plans will be monitored and reported throughout the year. At Month 2 it is anticipated that the required level of savings will be delivered in full.

### 3.6 **Proposed Use of COVID Reserve**

- 3.6.1 The Department for Work and Pensions has announced an extension to the COVID Local Support Grant until 30th September, with Leeds City Council having been allocated £2.67m. A key decision was taken in March 2021 to accept COVID Winter Grant Extension funding from the Department for Work and Pensions for 2021, to provide children eligible for free school meals with food support over the Easter holidays. In addition, it was agreed to accept any further future funding allocated from Government for the provision of free school meals for school holiday periods for children eligible for free school meals and/ or living in poverty.
- 3.6.2 This funding extension will enable 35,000 children and young people eligible for Free School Meals, living in low income families and in households with No Recourse to Public Funds to receive food support for 5 of the 6 weeks over the summer holiday period. Based on previous holiday periods the total funding required to provide food support to all eligible pupils is approximately £0.52m per week, therefore for the 6 week summer holidays would be approximately £3.12 million. It is proposed that an additional £0.52m be allocated from the LCC COVID reserve to ensure 6 weeks support to all eligible pupils. As in previous holiday periods pupils will be supported via schools.
- 3.6.3 The £16.7m COVID Reserve was created in the 2021/22 Budget to be applied to any pressures arising which exceed the initial estimate of COVID impact in 2021/22.

This release of £0.52m would be in addition to the use of £7.8m already assumed in this Month 2 Financial Health position, discussed at paragraph 3.5.7., leaving an unused balance of £8.4m at this stage of the year.

- 3.6.4 The Board is asked to note that the income and expenditure relating to the provision of free school meals, including the proposed use of reserve, are not shown in the directorate dashboards at Appendix 2, which show the projected financial position as at the end of Month 2.

## **4. Other Financial Performance**

### **4.1 Council Tax**

The Council Tax in-year collection rate at the end of May was 19.10%. For comparison, in May 2020 the in-year collection rate was 18.69%, reflecting the economic impact of COVID-19 on collection rates and the agreed payment deferrals; in May 2019, a 'normal' year, the in-year collection rate was 19.22%.

Leeds' share of the declared Council Tax deficit for 2020/21 (at 31<sup>st</sup> December 2020) has been incorporated into the 2021/22 budget. The declared deficit was £15.557m. This has been adjusted for the 3-year spreading legislated by Government in order that authorities can better manage deficits arising as a result of the economic impact of COVID-19. The deficit that is budgeted to be repaid in 2021/22 is therefore £4.951m, with Leeds share of this being £4.196m. This repayment is now a fixed amount.

The actual closing deficit for 2020/21 was £13.958m. Adjusting this for the 3-year deficit spreading results in an opening deficit on the collection fund of £3.704m, with Leeds share of this being £3.14m. The £1.056m improvement will benefit the General Fund in 2022/23.

In addition to the above, Government introduced a Local Tax Income Guarantee (LTIG), applying to both Council Tax and Business Rates. Losses in scope will be compensated by Government at a rate of 75%. The 2021/22 budget reflected the assumption that a grant of around £5.2m would be payable to the Authority under this scheme. As the 2020/21 outturn position was improved compared to the position in the Budget, the grant we expect to receive will be lower. The 2021/22 Budget and the Medium Term Financial Strategy reflect that this funding will not be utilised in 2021/22, but will, instead, be held in reserve and applied in 2022/23 and 2023/24 when the instalments of the 2020/21 deficit will become payable.

At Month 2 the in-year position for Council Tax is a deficit of £2.569m. Whilst we expect an improved position by the year-end, at this early stage of the financial year it is not possible to identify the full impact of economic scarring resulting from the pandemic. The position and collection rate will continue to be closely monitored.

### **4.2 Business Rates**

The budgeted collection rate for business rates is to achieve an in-year collection target of 96.5%%, collecting £367.775m of business rates income. However, the Board will be aware that, in response to the continuing restrictions due to the COVID-19 pandemic, the Government subsequently announced significant

additional business rates reliefs, reducing the income to be collected directly from business to £340.4m as at 9<sup>th</sup> June 2021. These reliefs give 100% business rates relief to retail and leisure establishments and children's nurseries until 30<sup>th</sup> June 2021, although the total relief that any one ratepayer can claim is capped at £2m nationally if they were forced to close in 2021/22 or £105,000 nationally if they could remain open, with a sliding scale of relief subsequently until 30<sup>th</sup> September 2021 when all COVID-19 related reliefs are due to end. The costs to the Council's retained Business Rates income will be funded in full by Government through Section 31 grants. Whilst this reduces the risk to the Authority regarding non-collection of business rates income, the collection rate at the beginning of June 2021 was 17.27%, 6.23% behind performance in 2019/20, the last 'normal' year. This lower collection rate is a matter of concern to the Authority, although it is very early in the financial year, and will require close monitoring in the coming months.

The total rateable value of business properties in Leeds has reduced from £929.3m at the time of the 2021/22 budget to £926.4m as at 13<sup>th</sup> June 2021, a decrease of £3.0m. The 2021/22 budget includes an expected reduction in Rateable Value of £11.2m for the 2021/22 full year and the size of the Business Rates tax base in Leeds will require close monitoring in the coming months.

Leeds' share of the declared Business Rates deficit from 2020/21 (at 31<sup>st</sup> December 2020) has been incorporated into the 2021/22 budget. The total declared deficit on the Collection Fund was £234.9m, largely driven by the extended reliefs introduced in 2020/21 by the Government in response to the pandemic, fully funded by section 31 Government grant held in reserve. Leeds' share of the unfunded declared deficit is £36.7m, which will be spread over three years in accordance with Government legislation. £12.2m of this unfunded deficit will be paid in 2021/22 and is fixed.

Since declaration a number of issues underlying the declared deficit have been clarified, positively affecting previous assumptions regarding claims for Empty Rate Relief during lockdowns, ratepayer appeals claiming a Material Change of Circumstance due to the pandemic will not be successful and the forecast continued reduction in the tax base in Leeds in 2020/21. Taking these into account, the actual closing deficit for 2020/21 is an improvement of £12.3m from the position declared and used in the 2021/22 budget. This improvement will benefit the General Fund in 2022/23.

The outlook for the in-year Business Rates deficit on the Collection Fund remains highly uncertain, with particular concerns around bad debts, continued reduction in the tax base and early signs that the cost of Empty Rate Relief is increasing unusually rapidly at the start of the year. Each of these areas will require close monitoring in the coming months.

Government introduced a Local Tax Income Guarantee (LTIG) for 2020/21, applying to both Council Tax and Business Rates. Losses in scope will be compensated by Government at a rate of 75%. The 2021/22 budget reflects the assumption that a grant of around £25.8m would be receivable under this scheme. As the 2020/21 outturn position was significantly improved compared to the declared position in the Budget, the grant we expect to receive will be significantly lower. However, this funding will be held in reserve to partially meet the unfunded element of the 2020/21 Business Rates deficit over the coming years.

### 4.3 Business Rates Appeals

The opening appeals provisions for 2021/22 are £30.0m, made up of £7.7m relating to appeals received against the 2010 ratings list and £22.3m estimated costs in relation to the 2017 ratings list. Under 50% Business Rates Retention, Leeds' budget is affected by 49% of any appeals provision made in this year.

On the 31<sup>st</sup> May 2021, there were 526 appeals outstanding against the 2010 ratings list. During April and May 2021 47 appeals have been settled, 17 of which have resulted in changes to rateable values. No new appeals have been received in April and May. Currently, 9.5% of the city's total rateable value on the 2010 list is subject to at least one appeal.

Before the COVID-19 public health crisis, the introduction of the new Check Challenge Appeal system on 1<sup>st</sup> April 2017 saw a significant reduction in the number of appeals submitted by ratepayers against their Rateable Value on the 2017 ratings list compared to the 2010 ratings list. Only three appeals have so far been submitted to the Valuation Tribunal, the final stage of the new process. However during the national lockdowns in 2020/21 there was a significant upsurge in the number of Checks and Challenges submitted to the Valuation Office. Most of these claimed a Material Change of Circumstance due to the restrictions to economic activity during the crisis.

Initially the Council provided for estimated costs should these result in reductions of rateable value and this was included in the declared deficit position for 2020/21, submitted to Council in February 2021 in the 2021/22 2021/22 Revenue Budget and Council Tax report. Government intends to pass primary legislation to ensure that these 'appeals' will not be successful and will not lead to reduction in Rateable Value. As at 31<sup>st</sup> March 2021 the Authority was therefore able to exclude 1,007 Challenges from its calculations of provisions reducing the cost to Leeds in 2020/21 by £6.4m. As at 31<sup>st</sup> May 2021 the Council is providing for a net of 310 other Checks and Challenges against the 2017 ratings list plus provisions for specific issues such as the removal of ATMs located in shops from the 2017 list, expected reduction to hospitals, ambulance and fire stations and expected reductions to a number of GP surgeries.

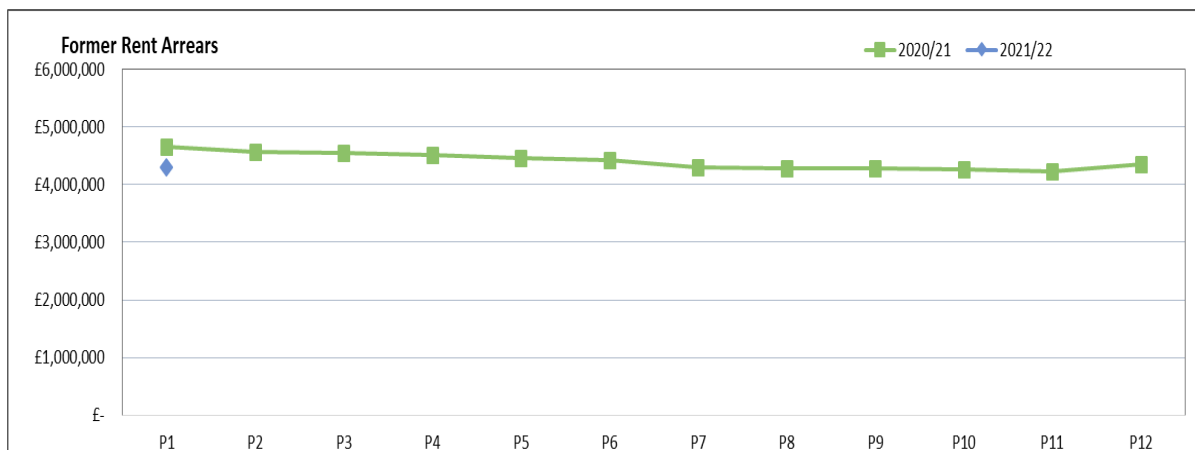
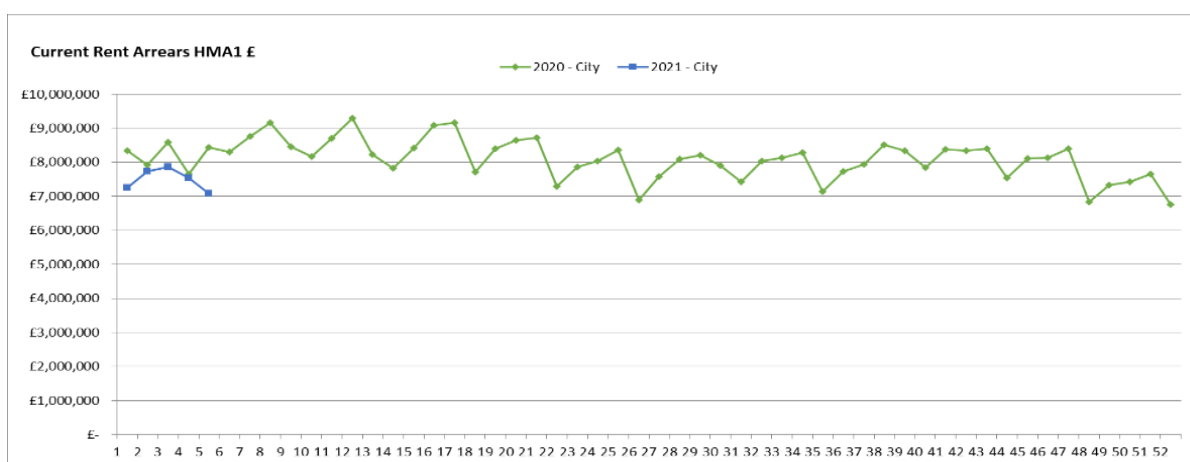
### 4.4 Impact of COVID-19 on the Collection Fund in 2021/22

It remains very complex to estimate the continued impact of COVID-19 on council tax and business rates income. Early concerns have arisen around collection rates, reductions in the tax base in Leeds and the impact of any permanent economic scarring on Business Rates reliefs, particularly Empty Rate Relief. These require continued close monitoring over the coming months. However early signs show there may be some recovery, particularly in Business Rates, contingent on the continued opening of the local economy as restrictions are withdrawn.

## 5. Housing Revenue Account (HRA)

5.1 At the end of Month 2 the HRA is projecting a balanced position.


- 5.2 There is a forecast reduction in rental income of £575k mainly due to a temporary increase in the number of void properties because of the ongoing impact of COVID-19. This is partially offset by additional external telecoms income of £140k.
- 5.3 Employee costs are forecast to underspend by £278k. The projected saving is a result of the time taken to fill vacant posts following the ELI process and service realignment.
- 5.4 The £157k balance on the Welfare Reform reserve will be utilised in year as the Enhanced Income Team has now been integrated back into the Housing Management staffing structure, therefore the reserve is no longer required.
- 5.5 Total tenant arrears are £11.4m, approximately £1.7m lower than the equivalent period last year and £0.3m higher than the 2020-21 outturn position. The latest rent collection position is 95.3%, 1.4% lower than last year's outturn position (96.7%).



- 5.6 Projected Right to Buy sales for the year are projected in line with budget at 610 with 1,462 live applications in the system at the end of April.



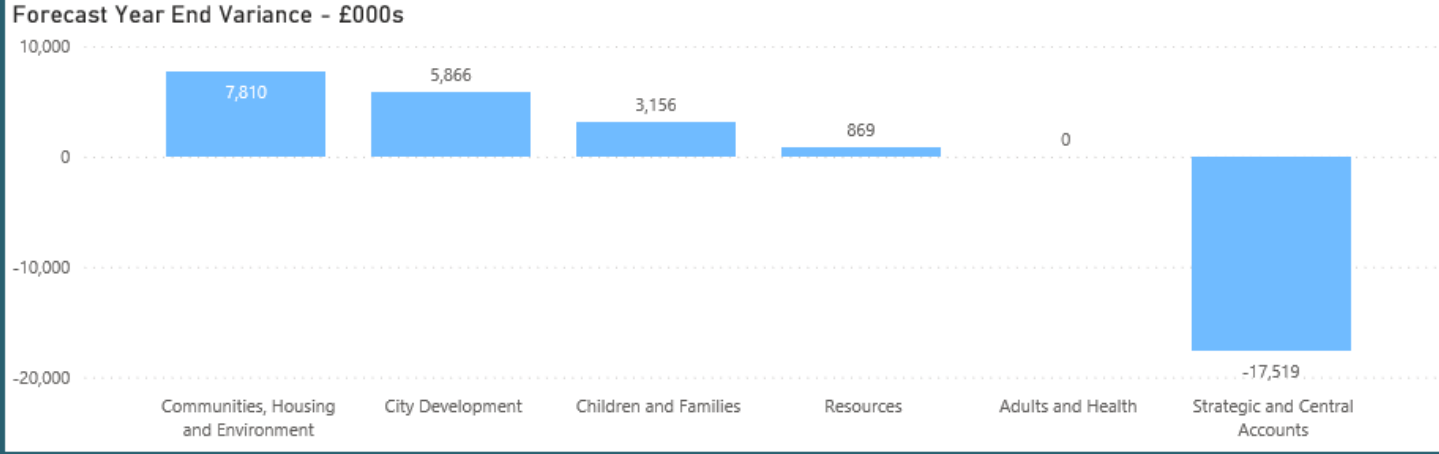
Financial Dashboard 2021/22 Financial Year



**Budget Variation £000s**

# 182

**Forecast Year End Variance - £000s**



Directorate	Variance (£000s)
Communities, Housing and Environment	7,810
City Development	5,866
Children and Families	3,156
Resources	869
Adults and Health	0
Strategic and Central Accounts	-17,519

**Financial Year**

2021/22

**Cost Period**

2

**Accountable Officer**

All

**Directorate, Service**

All

**Division, Costcentre &...**

All

**Costcentre RAG Rating**

All

**Managed In/Outside Se...**

Managed Budget

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	469,168	466,404	-2,764
Premises	57,865	57,867	2
Supplies and Services	217,986	216,268	-1,718
Transport	49,660	50,068	408
Internal Charges	65,795	65,742	-53
Third Party Payments	436,832	446,927	10,094
Transfer Payments	190,315	190,315	0
Capital	45,015	46,123	1,108
Transfer to/from Reserves	-50,480	-58,316	-7,836
Internal Income	-310,273	-308,877	1,396
External Income	-736,627	-737,081	-455
<b>Total</b>	<b>435,258</b>	<b>435,440</b>	<b>182</b>

Directorate	Change in Variance £000s
Adults and Health	-414
Children and Families	2,906
City Development	5,866
Communities, Housing and Environment	7,810
Resources	902
Strategic and Central Accounts	-17,519
<b>Total</b>	<b>-449</b>

Change to Table

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For Reporting

Financial Dashboard 2021/22 Financial Year



Budget Variation £000s

0

Financial Year

2021/22

Cost Period

2

Accountable Officer

All

Directorate, Service

All

Division, Costcentre &...

All

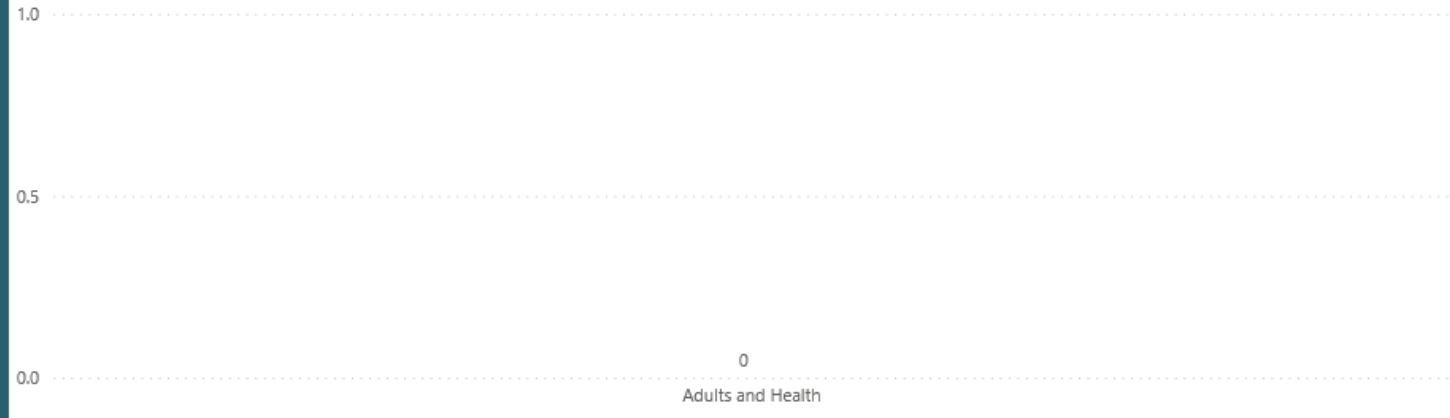
Costcentre RAG Rating

All

Managed In/Outside Se...

Managed Budget

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	58,011	58,011	0
Premises	1,077	1,077	0
Supplies and Services	7,516	12,916	5,400
Transport	948	948	0
Internal Charges	10,532	10,532	0
Third Party Payments	283,395	289,326	5,932
Transfer Payments	10,323	10,323	0
Transfer to/from Reserves	-3,269	-3,722	-453
Internal Income	-5,005	-5,112	-107
External Income	-168,316	-179,087	-10,771
<b>Total</b>	<b>195,211</b>	<b>195,211</b>	<b>0</b>

Directorate	Change in Variance £000s
<b>Adults and Health</b>	
<b>Access and Care</b>	
Access and Care	0
Assessment & Care Management	0
Care Act	0
Destitute Persons	0
DP Audit	0
Recovery Income	0
Drugs, Alcohol & other-Comm	0
<b>Total</b>	<b>-414</b>

Change to Table

For Reporting

Financial Dashboard 2021/22 Financial Year



Budget Variation £000s

3,156

Financial Year

2021/22

Cost Period

2

Accountable Officer

All

Directorate, Service

All

Division, Costcentre &...

All

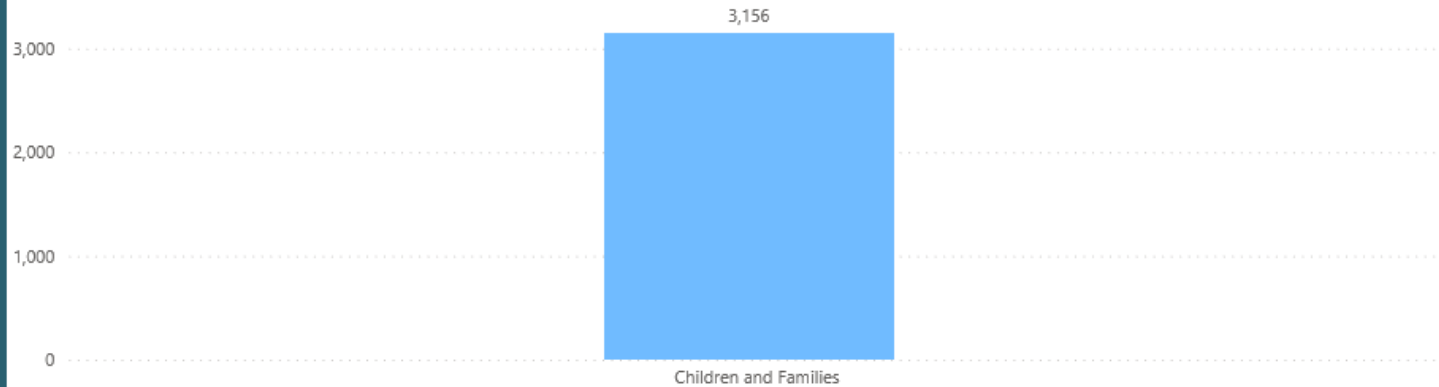
Costcentre RAG Rating

All

Managed In/Outside Se...

Managed Budget

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	97,418	97,418	0
Premises	2,980	2,980	0
Supplies and Services	62,178	62,167	-11
Transport	12,488	12,489	1
Internal Charges	26,518	26,518	0
Third Party Payments	100,206	103,361	3,155
Transfer Payments	4,043	4,043	0
Transfer to/from Reserves	-291	-291	0
Internal Income	-30,520	-30,520	0
External Income	-157,996	-157,984	11
<b>Total</b>	<b>117,024</b>	<b>120,180</b>	<b>3,156</b>

Directorate	Change in Variance £000s
<b>Children and Families</b>	
<b>Learning</b>	
Learning Improvement	0
Learning Inclusion	0
Learning Management	0
Virtual College	0
<b>Partnerships &amp; Health</b>	
SENSAP	0
<b>Total</b>	<b>2,906</b>

Change to Table

For Reporting

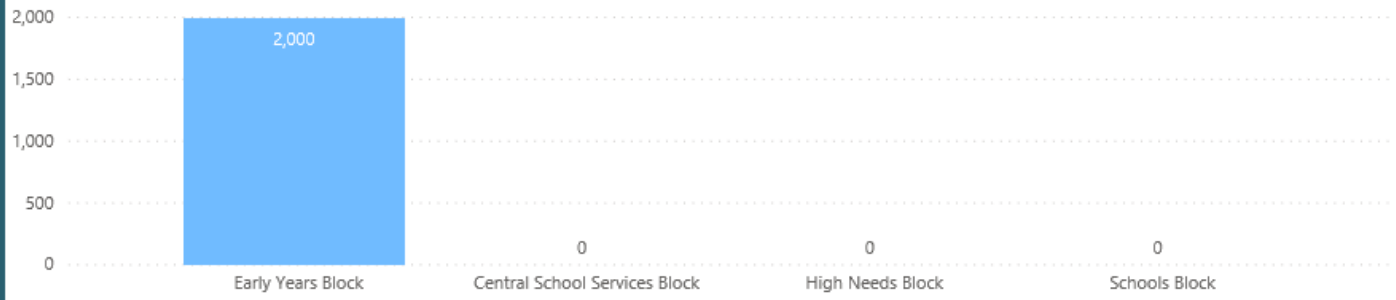


DSG Variation £000s

**2,000**

Overspend (+) / Underspend (-)

Forecast Year End Variance by Dedicated Schools Grant (DSG) Block - £000s



Financial Year

2021/22

Cost Period

2

Income / Expenditure

All

Sub Block

All

Cost Centre Description

All

For Reporting

Net Variations against the Approved Budget

DSG Block	Income Budget	Income Projection	Income Variance	Expenditure Budget	Expenditure Projection	Expenditure Variance	DSG Budget (LE)	DSG Projection	DSG Variance
Central School Services Block	-5,156	-5,156	0.00	5,156	5,156	0	0	0	0
Early Years Block	-58,279	-58,279	0.00	58,279	60,279	2,000	0	2,000	2,000
High Needs Block	-92,284	-92,284	0.00	92,284	92,284	0	0	0	0
Schools Block	-329,912	-329,912	0.00	329,912	329,912	0	0	0	0
<b>Total</b>	<b>-485,631</b>	<b>-485,631</b>	<b>0.00</b>	<b>485,631</b>	<b>487,631</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>	<b>2,000</b>

DSG Reserves

Reserve Type	Balance b/fwd	Net contribution to (-)/from (+) balances	Budgeted Deficit (+) / Surplus (-) c/fwd	Projected in year under (-)/over(+) spend	Planned use of reserves	Projected Deficit (+) / Surplus (-) c/fwd
General	3134	1681	4815	2000	1681	6815
De-delegated	-1132	0	-1132	0	0	-1132
<b>Total</b>	<b>2002</b>	<b>1681</b>	<b>3683</b>	<b>2000</b>	<b>1681</b>	<b>5683</b>

Financial Dashboard 2021/22 Financial Year



Budget Variation £000s

5,866

Financial Year

2021/22

Cost Period

2

Accountable Officer

All

Directorate, Service

All

Division, Costcentre &...

All

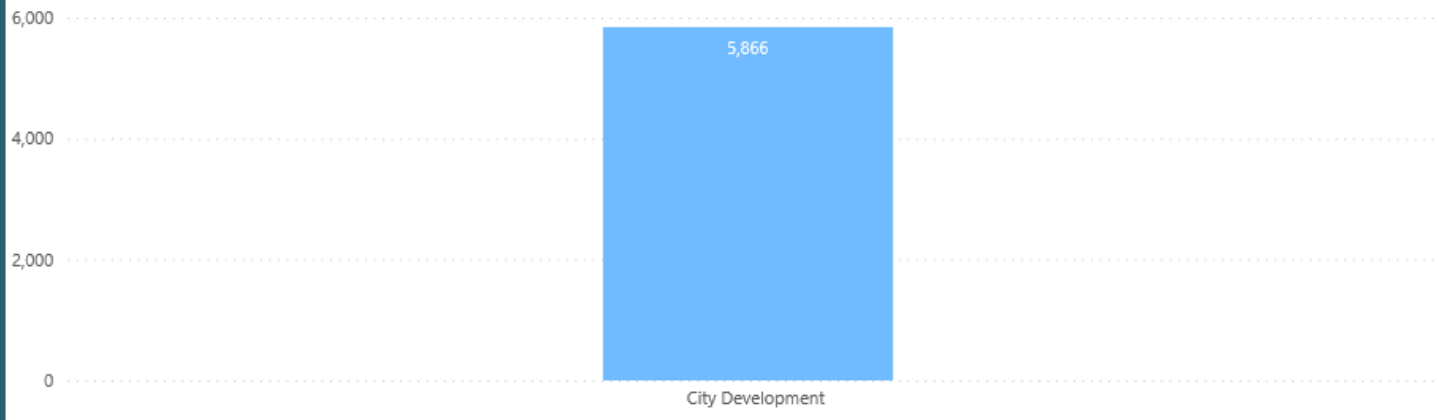
Costcentre RAG Rating

All

Managed In/Outside Se...

Managed Budget

Forecast Year End Variance - £000s




Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	64,207	61,680	-2,527
Premises	27,104	27,105	2
Supplies and Services	44,355	43,963	-392
Transport	5,905	5,992	87
Internal Charges	9,872	9,941	69
Third Party Payments	166	166	0
Transfer to/from Reserves	-1,130	-1,130	0
Internal Income	-41,944	-40,452	1,493
External Income	-77,887	-70,752	7,135
<b>Total</b>	<b>30,648</b>	<b>36,514</b>	<b>5,866</b>

Directorate	Change in Variance £000s
<b>City Development</b>	
Arts And Heritage	773
Asset Management & Regeneration	-133
Economic Development	-2
Employment and Skills	-46
Highways And Transportation	0
Markets and City Centre	777
<b>Total</b>	<b>5,866</b>

Change to Table

For Reporting

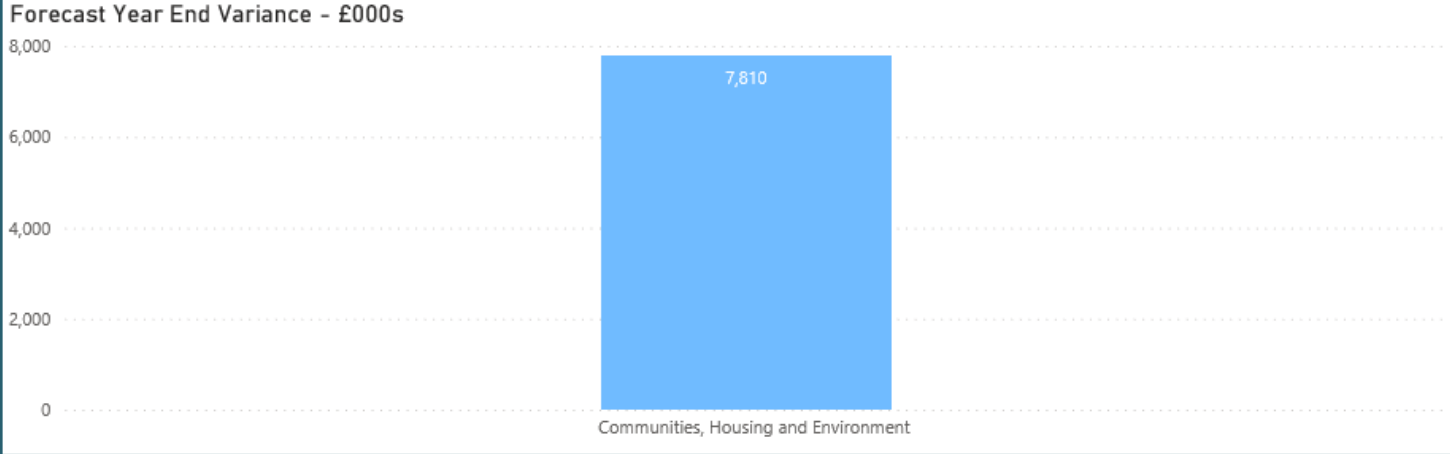
Financial Dashboard 2021/22 Financial Year



**Budget Variation £000s**

# 7,810

Forecast Year End Variance - £000s



**Financial Year**

2021/22

**Cost Period**

2

**Accountable Officer**

All

**Directorate, Service**

All

**Division, Costcentre &...**

All

**Costcentre RAG Rating**

All

**Managed In/Outside Se...**

Managed Budget

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	91,539	91,552	13
Premises	10,332	10,332	0
Supplies and Services	42,798	43,798	1,000
Transport	9,808	10,128	320
Internal Charges	9,933	9,933	0
Third Party Payments	17,273	17,273	0
Transfer Payments	175,107	175,107	0
Transfer to/from Reserves	-1,272	-1,272	0
Internal Income	-37,435	-36,373	1,062
External Income	-242,658	-237,243	5,415
<b>Total</b>	<b>75,425</b>	<b>83,235</b>	<b>7,810</b>

Directorate	Change in Variance £000s
<b>Communities, Housing and Environment</b>	
<b>Car Parking Services</b>	
Car Parking Services	3,300
<b>Central Overheads</b>	
Central	-250
<b>Cleaner Neighbourhood Teams</b>	
<b>Total</b>	<b>7,810</b>

Change to Table

For Reporting

## Financial Dashboard 2021/22 Financial Year



Surplus (-) / Deficit (+) £000s

0

HRA Income	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▲				
Dwelling Rents	-209,900	-209,325	575	575
Non Dwelling Rents	-3,258	-3,258	0	0
Service Charges	-9,021	-9,021	0	0
Internal Income	-9,650	-9,650	0	0
Grants	-21,385	-21,385	0	0
External Income	-2,033	-2,173	-140	-140
<b>Total</b>	<b>-255,248</b>	<b>-254,813</b>	<b>435</b>	<b>435</b>
HRA Expenditure	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▲				
Discretionary Housing Payments (DHP)	500	500	0	0
Council Tax on Voids	793	793	0	0
Disrepair Provision	1,400	1,400	0	0
Repairs to Dwellings	44,853	44,853	0	0
Employees	30,181	29,903	-278	-278
Premises	8,255	8,255	0	0
Supplies and Services	3,688	3,688	0	0
PFI Unitary Charge	10,449	10,449	0	0
Transport	298	298	0	0
Internal Services	44,033	44,033	0	0
Housing Advisory Panels, BITMO & Other Organisations	3,771	3,771	0	0
Provision for Doubtful Debts	1,136	1,136	0	0
Capital Charges	44,588	44,588	0	0
Contribution to Capital Programme	60,971	60,971	0	0
<b>Total</b>	<b>254,918</b>	<b>254,640</b>	<b>-278</b>	<b>-278</b>
Surplus (-) / Deficit (+)	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▼				
Net Position	-330	-173	157	157
Appropriation: Sinking Funds	188	188	0	0
Appropriation: Reserves	141	-15	-157	-157
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial Dashboard 2021/22 Financial Year



Budget Variation £000s

869

Financial Year

2021/22

Cost Period

2

Accountable Officer

All

Directorate, Service

All

Division, Costcentre &...

All

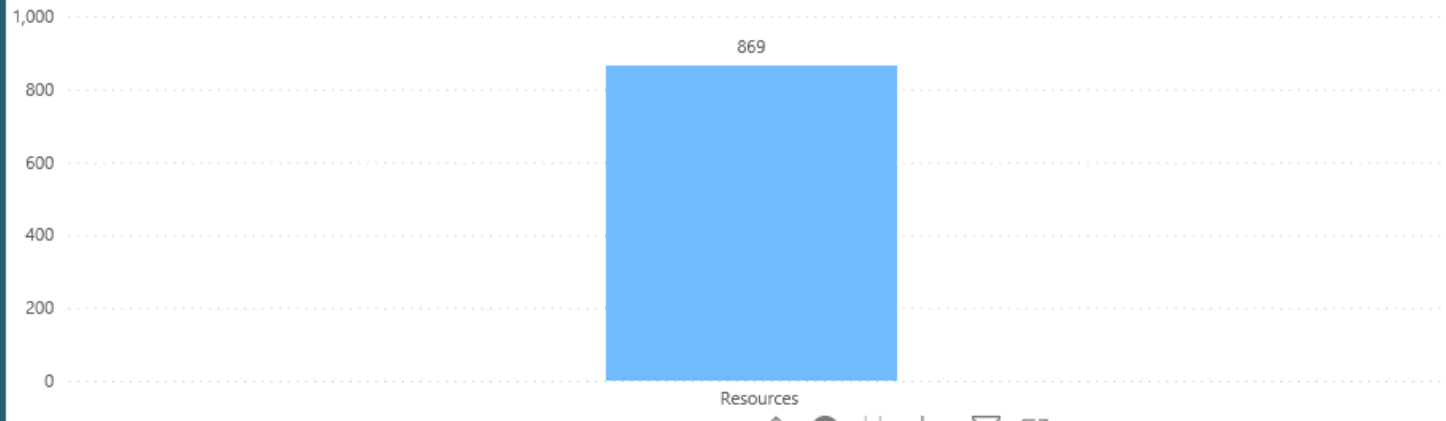
Costcentre RAG Rating

All

Managed In/Outside Se...

Managed Budget

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	153,187	152,937	-250
Premises	16,373	16,373	0
Supplies and Services	56,932	56,882	-50
Transport	20,511	20,511	0
Internal Charges	4,900	4,900	0
Third Party Payments	28	28	0
Transfer Payments	40	40	0
Transfer to/from Reserves	-1,100	-1,100	0
Internal Income	-154,715	-154,146	569
External Income	-18,283	-17,683	600
<b>Total</b>	<b>77,873</b>	<b>78,742</b>	<b>869</b>


Directorate	Change in Variance £000s
<b>Resources</b>	
<b>Commercial Services</b>	
Catering	243
Cleaning Schools	0
Commercial Services	0
Overheads	0
Passengers	0
PRESTO	0
Property Cleaning	0
School Crossing	0
<b>Total</b>	<b>902</b>

Change to Table

For Reporting



Financial Dashboard 2021/22 Financial Year



Budget Variation £000s

# -17,519

**Financial Year**

2021/22

**Cost Period**

2

**Accountable Officer**

All

**Directorate, Service**

All

**Division, Costcentre &...**

All


**Costcentre RAG Rating**

All

**Managed In/Outside Se...**

Managed Budget

Forecast Year End Variance - £000s



Strategic and Central Accounts

Change to Table

For Reporting

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	4,807	4,807	0
Supplies and Services	4,206	-3,458	-7,664
Internal Charges	4,041	3,919	-122
Third Party Payments	35,765	36,772	1,007
Transfer Payments	803	803	0
Capital	45,015	46,123	1,108
Transfer to/from Reserves	-43,418	-50,801	-7,383
Internal Income	-40,654	-42,274	-1,620
External Income	-71,488	-74,332	-2,844
<b>Total</b>	<b>-60,922</b>	<b>-78,441</b>	<b>-17,519</b>

Directorate	Change in Variance £000s
<b>Strategic and Central Accounts</b>	
Capital Accounting Appropriations	0
Corporate & Democratic Core	0
Corporate Insurance	0
Debt Financing Costs	-87
Government Grants And Parish Precepts	-3,073
<b>Total</b>	<b>-17,519</b>

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